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INAUGURAL ADDRESS

DELIVERED AT THE

TWENTY-FIRST ANNUAL

Co-operative Congress.

Held at Ipswich, June 10, 11, & 12, 1889,

BY

ALFRED MARSHALL, Esq., M.A.,

PROFESSOR OF POLITICAL ECONOMY, CAMBRIDGE UNIVERSITY.

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## CO-OPERATIVE CONGRESS,

HELD AT IPSWICH, JUNE 10, 11, & 12, 1889,

BY

ALFRED MARSHALL, Esq., M.A.,

*Professor of Political Economy, Cambridge University.*



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## INAUGURAL ADDRESS,

*Delivered on the occasion of the Twenty-first Annual Co-operative Congress, held at Ipswich, Whitsuntide, 1889,*

By PROFESSOR A. MARSHALL.

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GENTLEMEN,—Your two last annual Congresses were opened by two veteran co-operators—Mr. Holyoake and Mr. Neale. They have spent long lives in the centre of your movement; they have cared for it, and worked for it; they have earned your affection and your gratitude; and they could speak to you words of wise counsel, based on thorough knowledge. But I cannot do that. I can do nothing more than lay before you a sample of the way in which your movement presents itself to an academic economist, and trust to your kind indulgence to pardon my lack of special knowledge of the subject of which I have to treat.

Co-operation is many sided, and can be looked at from many points of view. There are, in consequence, many definitions of it, all having much in common, but each bringing into special prominence some aspect of it which appeals with special strength to some one or other of the many different classes of minds who are attracted by it. It is of course necessary to agree provisionally on some formal definition of a co-operative society for administrative purposes. But a movement which, though so great, is yet so young, is in danger of being cramped by the too rigid insistence on any hard and fast formula; and I would wish, instead of defining it, to describe the general notion which I have formed of it. I regard it as the typical and most representative product of the age; because it combines high aspirations with calm and strenuous action, and because it sets itself to develop the spontaneous energies of the individual while training him to collective action by the aid of collective resources, and for the attainment of

collective ends. It has points of affinity with many other movements; but it is like no other. Other schemes for developing the world's material resources are equally practical and equally business-like, but they have not the same direct aim to improve the quality of man himself. Other schemes for social reform have equally high aspirations, but they have not the same broad basis of patient action and practical wisdom. What distinguishes co-operation from all other movements is that it is at once a strong and calm and wise business, and a strong and fervent and proselytising faith.

The cardinal doctrines of its faith are, as I have said, not peculiar to it: they are shared more or less by other movements. They are, I take it:—Firstly, the production of fine human beings, and not the production of rich goods, is the ultimate aim of all worthy endeavour. Secondly, he who lives and works only for himself, or even only for himself and his family, leads an incomplete life; to complete it he needs to work with others for some broad and high aim. Thirdly, such an aim is to be found in the co-operative endeavour to diminish those evils which result to the mass of the people from the want of capital of their own; evils which take the two-fold form of insufficiency of material income, and want of opportunity for developing many of their best faculties. Lastly, the working classes, though weak in many ways, are strong in their numbers. They have a great power in their knowledge of one another, and their trust in one another; and they can much increase this force, for by joint action they can make their little capital go a long way towards getting a free scope for their activities, and towards emancipating them from a position of helpless dependence on the support, and the guidance, and the governance of the more fortunate classes. And though the beginning of such a movement may be small, it has in it the seeds of growth, because it will educate the working classes in business capacity, and in the moral strength of united and public action for public purposes.

Now this co-operative faith, as I understand it, differs from the faiths of many social reformers in two respects. On the one hand it is more prosaic, and more ready to take facts as

they are, it does not substitute for them brilliant products of a poetic imagination. And on the other hand, the virtues to which it appeals are the virtues of those who hold the faith. It is not a claim that the virtues of others should induce them to divide equally all round the advantages which they have already acquired.

I do not mean that the co-operator is very likely to consider the existing arrangements with regard to property as the best possible. He may probably think, as I myself certainly think, that the rich ought to be taxed much more heavily than they are, in order to provide for their poorer brethren the material means for a healthy physical and mental development; and he may think, as I certainly do, that the rich are in private duty bound to contribute freely to public purposes far more than the taxgatherer ought by force to take from them, and to confine within narrow bounds their expenditure on their own personal enjoyment, and that of their families. But the point I want to insist on is that any beliefs which the co-operator may hold on questions of this sort do not enter into the co-operative faith, because that relates to the duties of co-operators themselves, and not to the duties of others towards co-operators. The co-operative faith is a belief in the beauty and the nobility, the strength and the efficiency, of collective action by the working classes, employing their own means, not indeed suddenly to revolutionise, but gradually to raise, their own material and moral condition.

But now let us turn to the other side of co-operation, and regard it as a business. As a business it has succeeded, by economising the efforts required to obtain certain desirable ends, and by utilising a great waste product. For in the world's history there has been one waste product, so much more important than all others, that it has a right to be called *THE Waste Product*. It is the higher abilities of many of the working classes; the latent, the undeveloped, the choked-up and wasted faculties for higher work, that for lack of opportunity have come to nothing. Many a fortune has been made by utilising the waste products of gas works and of soda works; it has been very good business. But a much greater waste product than these is at the foundations of the



fortunes of co-operation. Let us then take stock of the resources of co-operation in this country.

The habit of association is specially characteristic of the Teutonic race; and our historians are proud to show how those who settled on these shores were, in this respect at all events, among the most Teutonic of the Teutons. But the exclusiveness of our claims has been somewhat lessened by recent studies of association in the form of village communities, &c., among other races, and especially among the Slavs, and our own near cousins and fellow-subjects in India. And quite recently we have been told that those associations for co-operative production, in which, if liberty is a little wanting, yet law and order are most perfectly developed, are to be found among those extremely distant relations of ours, the Chinese in California.\*

The fact is that the co-operative productive society in its rudimentary form is a product of all ages, and all races, and all places; and the independent productive societies, which we find now scattered sporadically over the whole of Great Britain, are representatives of a very ancient race. In a few cases, as, for instance, in some local institutions connected with quarrying and with fishing, they have an unbroken descent from remote antiquity till now.

But much that is most interesting in the recent history of productive co-operation comes from France, America, and other countries. Those features of it which are most characteristically British are found in its relation to the other sides of the co-operative movement. No other country has anything to compare with our great distributive retail and wholesale societies, or with that great central Co-operative Union, the Congress which I have the honour to address to-day. And I will, therefore, begin at that end.

You know well, and the whole world has heard the figures that tell the growth of the trading business done by co-operation. But I may notice in passing that your figures are a little too modest. They record the number of sovereigns or counters that you have used in your sales; but they take no account of the fact that a thousand of these

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\* See the "History of Co-operation in the United States," published for the John Hopkins University, pp. 478-481.



counters represent a great deal more business than they did a few years ago. The real growth of your trade is the increase in the volume of groceries and draperies, and other things that you have sold. Suppose now that the gold mines had given a richer yield, and the use of bank notes and silver and other substitutes for gold had increased faster than they have, in that case more counters would have been used in your trade: and if there had been just so many more used that £1,000 would have bought throughout the whole period the same amount of goods in general—taking one thing with another—then the figures which you publish would have shown the real growth of your business, and not, as they do now, much less than the real growth.

Using Mr. Sauerbeck's figures, which are fairly applicable to this case, we find that if £1,000 counted for only as much now as it did in the average of the years 1867 to 1877, the sales made by the English Wholesale Society last year would amount, not to six-and-a-quarter millions, but to nearly nine millions, while the sales of all the co-operative societies in the United Kingdom for 1887 (the last year for which I have the figures) would amount to fifty millions, and not merely to thirty-four, as your figures show. But the strongest case is got by comparing 1873, when prices were highest, with 1887. In those fourteen years the sovereigns or counters which represent the total sales of your societies had only a little more than doubled; but the amount of commodities sold had been multiplied by three-and-a-half, and, in the same time, the sales of the English Wholesale had been multiplied nominally by three-and-a-half, but really by five-and-a-half.

Well, what is the explanation of this huge trade? It lies chiefly in the fact that more effort was wasted in doing things that it was not worth while to have done at all, in the old-fashioned retail trade, than in any other business to which working men had access. It is possible that if a co-operative society of working men had been able to penetrate the mysteries of the trade of law in its application to real property, and had been able to cut away all those complications that are more trouble to everyone, and more cost to everyone but the lawyers, than they are worth, there might have been an even more striking curtailment of wasted effort. But

however that may be, retail trade was the one accessible business in which there were great economies to be effected. Retailers, as a body, kept far more shops than was necessary, spent far too much trouble and money on attracting a few customers, and then in taking care that those few customers paid them in the long run—the very long run—for those goods which they had bought on credit, or in other words, had borrowed; and for all this they had to charge. The smallest shopkeepers were those that spent most of their time in looking after their customers, and least in handing goods over the counter. It was those who were nearest the condition of the working men who performed the most unnecessary services for them, and charged them the most for so doing. In some cases a retailer would sell at long credit what he himself bought at long credit from a wholesale dealer, who himself perhaps bought at credit from the ultimate producer. The manufacturer had to charge high for the risks and trouble, as well as the locking-up of the capital; the wholesale dealer, starting from this raised platform of high prices, piled up a good percentage more for a similar cause; the intermediate dealer did the same, and perhaps, finding the retailer in his power, added a little adulteration extra; the retailer, having the workman in his power, added on, perhaps, a little more adulteration, and, anyhow, a great increase of price.

Now the co-operative store bought for cash, and as nearly as possible at the fountain head; it required no advertisements; in its earlier stages it paid next to nothing for shop front; and in its later stages when it had a somewhat expensive shop front, it put a great many businesses behind it, or in successive stories over it. Its customers, regarding it as their own, would not mind mounting many steps, or waiting a little for the assistants on a Saturday night, or at any other time, when there happened to be too few to get through the business quickly. The customers were the proprietors, and had no inducement to adulterate their own goods; and the time which they spent on attending meetings of the society and managing their own business was in a great measure saved from the time that used to be spent in considering whether it would not be better to change their shopkeeper,

or perhaps in lamenting that they were in his power and could not do so.

Now, my object in dwelling on this oft-told tale is to show that the success of distributive stores does not prove that there is any magic in co-operation which will enable the working classes to undertake difficult businesses without the aid of picked men of a high order of business ability. Those whom the stores have thrust to the wall are chiefly men who did not get very high earnings, although they charged high prices. The system of co-operative retailing has such great inherent economies that it is likely to succeed if carried out with good faith and honesty and average good sense: the more business genius it has the better it will succeed, but it can flourish fairly well without business genius.

And now let us pass to the Wholesale Societies. The Scottish Wholesale is larger relatively to the population of its district than the English; and it has special claims of its own on our admiration, especially in the matter of bonus to labour. But Ipswich is a long way from Scotland; and it will be simpler that I should speak of the Wholesale in the singular number, and refer always to that with which most of those present are directly connected—the Wholesale which has its head-quarters at Manchester.

Well, the Wholesale has inherent economies almost as powerful as those possessed by the retail stores. For though, by buying for cash, they may get a little nearer to the original producer than can the small shopkeeper who buys for credit, the Wholesale can get much nearer. Its purchases are on so vast a scale as to command every concession and every attention from producers and importers. And while thus buying cheaply, it probably has less expenses in selling, in proportion to the work done, than any other trader in a similar position. For, while every other trader has to convince his customers that it is worth their while to deal with him, the Wholesale Society is owned by its customers. They have the power of deciding how much shall be added to the original cost of the goods before they are sold to themselves, and if the goods are priced too high there is only so much more profit to be divided among themselves at the end of the quarter, in proportion to their own purchases.



And, therefore, the retail societies would run no great risk if they shut their eyes and bought what the Wholesale offered at the Wholesale's prices without demur. It is true that there are exceptional cases in which the retail societies' buyer can consult the caprices of local taste better by buying elsewhere, and others in which accidents of time and place and opportunity may enable him to buy a particular lot of goods as cheaply as the Wholesale's buyer could have done, or even a little cheaper. And it is true that that self-confidence which is inherent in human nature, and which is a factor in many of our bad deeds and nearly all our good ones, may sometimes lead him to buy elsewhere when he should not. All this may be admitted; but it still holds good that there is no large trader whose way is made as smooth for him in finding a custom for his goods as the Wholesale Societies.

But the advantages of the Wholesale are still further increased, when it produces in one of its own departments the goods which it sells itself to the distributive stores. Such a department as the boot works at Leicester, or the biscuit works at Crumpsall, can avail themselves of the splendid resources of the Wholesale for buying much of their material. The department has a supply of capital which is at once unlimited and never too large; for the great bank in which the Wholesale keeps its own reserves, and those of many distributive societies, will always allow to it as much capital as it wants, and never force it to pay for more. It can offer practical constancy of employment to its workers, for when trade is slack the Wholesale will, of course, give the preference to the goods of its own department, and leave the other producing firms with which it deals to bear their fretting under the ragged edge of inconstant work as best they may. Again, the department need have no very great anxiety about those fluctuations of prices which make the career of most of its rivals so full of strain and stress. If one year it makes a fortunate purchase of raw material, and the Wholesale can credit it with a sale price for its finished commodities, pitched on a much higher basis, the gains all go into the common purse of the Wholesale; and if, at another time, the markets go against its buyers, so that

when wages and all other expenses have been paid, and a fixed 5 per cent. allowed for capital, the balance sheet shows a loss, there is no disturbance of the ordinary routine. Departments which, if they had been independent businesses, would have been sunk by accumulated losses in their early years, have been carried through the waters by the strong hand of the Wholesale; and, having emerged safely, with their lessons of failure behind them, are in fair years making high net profits: these profits go to strengthen still more the already strong hand, and enable it to undertake new tasks, and to help other struggling departments through their temporary troubles.

With these advantages the Wholesale has risen to a position unique amongst all the achievements that have been wrought by the working classes in the history of the world. The mere size of the business which they have to control gives a largeness to their ideas. It compels them to extend the range of their thought over the whole country, almost over the whole world. It is an education in itself to any member of a local society to have to consider whether his representative on the Wholesale is to advocate a forward policy—whether, for instance, he is to support a proposal for starting one more new line of ships of their own, or for opening a new foreign depôt in addition to those at Calais and at Rouen, at Copenhagen, and Hamburg, and New York. He feels a healthy pride as he turns over the pages of his “Annual,” and sees prints of one splendid building after another of which he is part owner; as he reckons up the acres of flooring in his warehouses at Manchester, or asks whether there are many buildings in the city that are finer than his London branch, with its high clock tower.

And when he looks forward, his ambition may reach out a long way unchecked. He may reason that if the belief should extend that all goods sold in the stores, whether high class or low class, are honestly what they pretend to be; that they are sold at least as cheaply as the tradesman can sell them; and that there is a dividend of, say, 2s. in the pound thrown in at the end of the quarter, the sales of the retail stores may perhaps grow to three or four hundred millions a year. Every increase in their sales would increase

their power of consulting the tastes of a great variety of customers, and so retaining those who are now drawn off to shops that follow special lines of their own; and it would increase the variety of the orders which they could give to the Wholesale. And if the growing loyalty to co-operative principles, which induced individuals to buy more largely of the stores, induced the retail stores to buy more largely of the Wholesale, they would by their very increased custom enable the Wholesale to extend its operations, to sell to them more cheaply, to provide them with a larger choice of goods, and thus to increase their inducements to buy almost everything from it.

The powers of the Wholesale as a dealer would therefore be increased much; but its powers as a producer would be increased out of all proportion. For now, though it can vie with any in buying direct from the packing houses of Chicago and the flour mills of Minneapolis, it cannot enter upon any manufacture for which there is not a very large working class demand; since many purchasers when buying manufactured goods prefer the variety offered by a long street of shops to the charms of the dividend at the stores. Not being able to sell largely, the retail stores do not buy largely; and being themselves compelled to seek for variety, they will, as a rule, buy only very small quantities of any one particular pattern, whether it is a co-operative product or not. Co-operative manufacture on a large and varied scale is thus like a coconut: it has a very hard shell; but when the shell is broken, there is plenty of good food to be got within. There is a charmed circle to be entered if individual co-operators would buy manufactures so largely from their stores, and their stores would buy so largely of co-operative manufactures, that co-operative manufactures became so various, and the stocks of them held by the distributive stores became so large, that there would be scarce any temptation to seek variety in the outside shops.

It is a most fascinating picture. The retail societies, if properly supported by the private individual, and the Wholesale, if properly supported by them, have within them greater economies than have ever been claimed by the plausible promoters of those Trusts of which we have heard



so much lately. But while the purpose of those Trusts was to increase the fortunes of the rich, by means which perhaps might be fair, and perhaps might incidentally benefit the consumers, this further development of the great co-operative federation would be a means by which the working classes would help themselves. Its strength would be a moral strength; would rest on a broad basis of democracy and of equity; its gains would be divided out among all consumers, those consumers being in great part the producers themselves, consuming in proportion to their earnings, and earning in proportion to their efficiency. Raising its high head far beyond all other business undertakings, it would stand forth to challenge the admiration of all ages, the glorious product of working men's hands and working men's heads, of working men's providence and working men's enthusiasm for a great and good cause. It would, in a greater or less degree, act up to all the cardinal principles of the co-operative faith, as I understand it.

And yet, magnificent as this scheme is, there are many ardent co-operators who feel that it falls short of their fondest hopes. It would be strong and vast, and would conform to the principles of the co-operative faith more or less; but their most cherished hopes, their warmest affections, go out towards productive societies, which are less completely under the management of a central control, and which are, therefore, in some respects less strong, and which can offer less resistance to the blows of an adverse fortune; but which yet seem to point more directly towards the true aims of the co-operative faith, because they make the ordinary working man to get nearer to responsible work, because they tend more directly to utilise *the* great waste product—the higher abilities that are latent among the working classes. It is bold and hardy indeed for an outsider, such as I am, to express an opinion on a question on which those are not agreed who have borne the burden and the heat of the long day of co-operative work; but I shall ask your kind forbearance while I lay before you the reasons which have led me to think that extreme centralisation, though it might quicken and strengthen the growth of your great movement for the present, would not really conduce to its highest and most

permanent interests ; and that in the long run your movement will prosper best if care is taken that its more independent parts are not crushed out, but are enabled to survive and to supplement—not to conflict with—the central kernel of the Wholesale.

Perhaps I may explain my position more clearly if you will allow me to digress a little. It is common to hear it said that England is divided into two nations—the rich and the poor. I am not sure that it would not be in some respects better for the poor if that statement were strictly true. I will admit that if everyone born of rich parents were able and virtuous, and everyone born of poor parents were stupid and vicious, the poor would lose much and gain nothing from being isolated from the rich. But unfortunately for the poor, they have to make room among their ranks for a large accession every year of the most stupid and profligate of the descendants of the rich ; and in return they every year give over to the ranks of the rich a great number of the strongest and ablest, the most enterprising and far-seeing, the bravest and the best of those who were born among themselves. Now, it is true that a system of caste so rigid that every one has to stay always just where he is born is a desolating system. Hope and ambition, and some scope for the play of free competition, are conditions—necessary conditions so far as we can tell—of human progress. But that great evil of our present system, which it is one chief aim of co-operation—as I take it—to remove, lies in the fact that the hope and ambition by which men's exertions are stimulated have in them too much that is selfish and too little that is unselfish. After a man's income has put him beyond the fear of pressing want, any further increase adds to his happiness less than he thought it would before he got it. The direct increase of happiness that results from increasing wealth becomes less and less as the wealth increases ; and a person who has already a few hundreds a year may, so far as material wealth has anything to do with it, be nearly as happy as he chooses to be. The pleasure derived from any further increase is chiefly the pleasure of acquisition, of victory over rivals, of a conscious-

ness of the proof of one's own strength, of being admired and envied by those whom one has left behind, and of being wondered at and tolerated by those into whose society one has risen.

And if the rise is very rapid, it is apt to be very bad for a man, and even worse for his children, as our experience at the Universities shows. A working man who, by brilliant genius and strong energy, has heaped up a large fortune, is likely to send his sons there; and one might have expected that coming from such splendid stock they would have had noble ambitions, and helped to raise the tone of the University. And sometimes they do that; but in too many cases their influence is in the opposite direction: too often their parents have been too busy in struggling with their new social difficulties to instruct them as to the importance of anything higher than mere money; and when I see such cases, I am filled with regret that most excellent material has been wasted.

It might have been better for himself, for his children, and for the world, that the father should not have moved so far away from his early associations; that he should have found scope for his strength and a goal for his ambition in working, at the head indeed of his comrades, but among them; and should not have suddenly passed over to dwell among strangers, the large capitalist employers of his old friends. His rank in the social scale would have been nominally lower, but really it would have been much higher. Occupied less with adapting himself—and his wife—hurriedly, and therefore awkwardly, to new conditions, he would have been more truly refined. The able working man who is in no great hurry to terminate his connection with his own class is more often than not a perfect gentleman; and that is what a man cannot be, whatever his nominal rank in life, if he is over-much hasted to get riches. A leader of a great trades union, who has earned the esteem, and confidence, and affection of those around him, has got more of those things for which wealth is really to be desired, than if he had accumulated a large fortune; and every sensible man would rather have him for a companion and a friend just as he is, than if he had become a great iron master or cotton lord.



However, those working men who rise to be rich, generally do some important service. If they do nothing else, they increase the volume of production; and when their rise is due to their power of originating new ideas and new methods, their own fortunes represent but a small part, often not a thousandth part of the increase of material well-being that results from their efforts. And though some of them may have developed their intellects at the expense of their other faculties, the harm done is not to be compared with the waste of latent abilities on the part of that very much larger number of the working classes, who with fitting opportunities might have been educated to do work as difficult and important as that of the average member of the middle classes, but who have no special genius and no faculty for pushing themselves.

Now, these men want three things—education to fit them for doing higher work; opportunity to do it; and the spur of ambition to rouse them to use the opportunity. This ambition need not be chiefly one for material gain. Theoretically, it might be a mere ambition to be good; but with human nature as it is, those cases in which men are capable of good actions, but require some other stimulus than the mere desire to be good, are too numerous to be neglected by the practical politician. For practical working there should be added a position recognised as one of trust and of honour; and with every increase in the importance of the work there should be some increase of pay, though it need not always be a very great increase.

Now, there have been at various times a good many schemes proposed for supplying these three wants of education, opportunity, and ambition. Some of these schemes have more poetry than common sense, and some are more violent than just. They are all both entertaining and instructive reading; most of them tend to edify and to elevate the reader. But there is, to my mind, some fatal practical objection to all of them, bar one; and that one is co-operation. As I said just now, other movements have a high social aim, and other movements have a broad and strong business basis. Co-operation alone has both. For it has a broader scope than trades unions or provident

societies, or those building societies, which, as your excellent Tenant Co-operators know, are so nearly akin to your own movement. All of these can do something towards bringing out the higher and more unselfish ambition of working men, towards educating and utilising their latent faculties, but it is co-operation alone which has a sufficiently broad business basis to be able to do this great work on a great scale.

It can, however, discharge this high function only by bringing the administrative work close to the people who are to do it. If it organises itself into a vast centralised institution, on the model of a great bureaucratic government, it may have a great force, as such governments often have, but it will miss its highest aims. Looking at the question in this way, we find small profit in the fact that each of the 600,000 co-operators who belong to societies that are members of the Wholesale has an equal vote in determining its policy and that of its productive departments. For, in his capacity of citizen, each has already his voice in controlling the policy of the State. If the co-operator owns a six hundred thousandth part of your warehouses at Manchester, and of the co-operative ship that goes to Hamburg, he also owns a share of all our public buildings and institutions, and of a great navy. The vote which he gives for electing a representative either on the Wholesale or in Parliament has undoubtedly an educating effect; the broader the issues on which his vote depends, the higher is the educative value to him of his vote, provided he knows well what the issues are. But if the issues are so remote that he does not attempt properly to grapple with them, the volume of his education is but slight. It is a better training in seamanship to sail a fishing-boat, than to watch a three-masted ship, the tops of whose masts alone appear above the horizon.

I do not overlook the fact that even under a centralised co-operative system, there would be a great deal of local government. Of course, every distributive store would retain its autonomy; and though the Wholesale would aim at saving it all trouble in deciding as to the ultimate source from which its various supplies should come, its management would offer

a good deal of work for a good many active minds ; it would continue to give education and opportunities, and a scope for a worthy ambition to the ordinary co-operator. That is true—may the retail store thrive, and continue this good work ; there is nothing to be said against it except that it does not give scope for all kinds of business ability, and that there is not enough of it.

But you may say the local store would still be able to start productive departments of its own, such, for instance, as the little farm which our Ipswich friends have here close by. That brings administrative work to the doors of the private co-operator—work which concerns him nearly, and in which he takes a keen interest ; he watches it carefully, and learns a great deal from it, even though he may have no direct part in its management. And further, if little movements of this sort are multiplied, they may become fairly numerous relatively to the whole body of co-operators, and so a considerable part of those who have faculties above the average may find the education and the opportunity and the spur to a worthy ambition of which they are in need. That is true ; and local stores can enable splendid results of this kind to be attained in spite of a certain amount of centralisation : all I wish to point out is that they vary in inverse proportion to the extent to which centralisation is pushed.

And when we come to look at the centralised part of a centralised system of co-operation, we find that the opportunities which it offers to people for doing what I am doing now—making speeches—are out of all proportion to those which it offers for any other work except manual work. I am not one of those who think that the tone of politics is lower than it was ; but I do think there is one growing evil in the fact that statesmen have to spend so much time in convincing others of the correctness of their views, and the excellence of their administration, that they have not enough time for administrative work, and for studying carefully the matters committed to their trust. And I gather that your general committee, on whom everything would depend, has a great deal of talking to do. Its present members, including its most able president, were educated under a less centralised system. But I cannot help asking myself whether



there is adequate security that in the competition for a post on the committee a man of great administrative force, but not a fluent speaker, would always be sure to get the better of a less able man who had a great faculty of persuasiveness, and had perhaps learnt a thing or two about the great machine which American politicians are perfecting.

But, suppose that danger to be avoided, and your central committee to remain as able, as energetic, and as upright as they are now. It would still be true that when once elected their powers and their procedure would necessarily resemble more or less those of the directors of a large joint-stock company; and if those methods should prevail, which I understand to be most in favour with the advocates of centralisation, the resemblance would be very close. There would be heads of departments, as in any ordinary business, responsible to them and to no one else; and with high authority in matters of detail. There would be, as I have said, a strong executive. Moreover, many of these leading officers probably would have been educated in the co-operative movement. Their abilities, which might otherwise have remained latent and been wasted, would have been turned to good account. So far good. But there is one flaw, a grave flaw from my point of view. It is that the total number of men of that kind—the total number of men to whom the system so organised could point proudly as the high products of co-operation—would be very small in proportion to the capital employed.

There are, then, three reasons for my venturing to hope that co-operators will hesitate before they accept the argument, that the right way of deciding whether the centralised system of production under the auspices of the Wholesale or the independent system is the better, is to let the two have a fair field and no favour, and to cry at the end, "The devil take the hindmost!" First, I feel sure that the centralised system is stronger than the independent system, with its present organisation, or lack of organisation; and that, with a fair field and no favour, the former would win. Secondly, the more loyal the retail societies are to the Wholesale, the more difficult will it be to arrange a field

which is quite fair, and in which the independent societies are not at some disadvantage. And, lastly, if success in the struggle for survival in a fair field is the sole test of excellence, what is the use of co-operation at all? Surely the direct effect of the struggle for survival in the animal kingdom is to cause those animals to flourish which are fittest to derive benefits from the environment, and so strengthen themselves; not those which are fittest to confer benefits on the environment. It is true that in the higher world of man's action, those plans which benefit the environment most are likely to have a moral strength which will enable them to prevail in the long run. But is it not the special function of co-operation to give them a helping hand, and enable them to prevail early, or at all events to secure that their career is not cut so short that they have no "long run" in which to prevail?

Let us then turn to the independent productive societies. There is no doubt that they labour under great difficulties. The management by working men of the businesses in which they are themselves employed is neither as efficient nor as free from friction as it would be if we social reformers had been able to arrange the world just to our own liking. It has often been said that an army led by a capable general can give odds of twenty per cent. and a beating to one managed by a committee of able men, if they commit the one folly of discussing at length all details. The worst of several possible manœuvres, if adopted promptly, will often turn out better than the best of them if it is delayed till its *pros* and *cons* have been well talked out. And the fact that the employés on the committee of such a co-operative business are able to hold their own against their managers in matters of the minutest detail, may often go a good long way towards wrecking the concern. Moreover, there is a good deal of human nature in most men, working men not excepted: and most men's eyes can see pretty keenly when they are looking in the direction of their own merits. The manager and a committeeman may occasionally differ a little about the merits of the committeeman, even though they don't say so; and then it is not always well for the manager. And if the manager and the committeeman happen to be agreed on the point, but some of the committeeman's

fellow workers take a different view of his merits relatively to their own, then they are likely to remark that a committee is a very good thing, at all events, for those who are on it: and the remark, even though it may be true, does not help the concern to work smoothly.

Then, again, managing a business is a very difficult matter. There are some people who think it easy, and are constantly telling us that there is nothing much that the employers as a class do for industry that the working people properly organised could not equally well do for themselves. Such people remind me of Charles Lamb's friend, who complained that too much fuss was made about Shakespere; "he could have written that sort of thing himself if he had had the mind." "Ah!" said Charles Lamb, "I supposed it was only the mind that was wanting." To carry on a great business nothing much is wanted except to organise it properly; but then that is just the difficulty. It is as easy as beating the big drum in an orchestral concert. Nothing more is needed than that you should do the right thing at the right time, but there are not many people who can do it.

I have already laid stress on the fact that the success of the distributive societies is no proof of the efficiency of working men as undertakers of business enterprises. Their inherent advantages are so great that they may sometimes prosper fairly even though their management is but second-rate; and there is no question that some of them have done so. Their success gives no ground for anticipating that a productive society would succeed when it had to run the gauntlet of competition with private firms managed by business men quick of thought and quick of action, full of resource and of inventive power, specially picked for their work and carefully trained. And of men thus picked a great number fail; it is said that in some businesses more than half of those who start fail within the first five years. Some of them come to the surface again, but many sink altogether; the waters close over them; everyone takes it as a matter of course; they are heard of no more; but no fuss is made about them. When, however, a co-operative society undertakes a business harder than it can manage, the trumpets which sounded at its christening sound again a little louder at its funeral; and some faithful



friend writes out a tender obituary notice, which the careful historian of co-operation epitomises for his necrological chapter—a perpetual warning as to the vanity of human hopes.

And then there is another difficulty. Nearly every kind of business requires every year a larger capital to carry it on; and the working man has seldom much capital. It has been commonly said that in competition capital employs labour and pays it a fixed wage; but that in co-operation labour employs capital, and pays it a fixed rate of interest. But that is more easily said than done. It is easy enough to borrow a thousand millions at four per cent., if the four per cent. is sure—quite sure. But it is not nearly so easy to borrow £1,000 at ten per cent., if the ten per cent. is only moderately sure. And most of us know the sorrows of that society of which all co-operators are so fond and proud, the fustian society at Hebden Bridge, which borrowed at  $7\frac{1}{2}$  per cent. when its security was not so good, and the current rate of interest was higher, but now finds itself much hampered by having to pay so high a rate.

But, in fact, it is not true that under competition labour is hired by capital; it is hired by business ability in command of capital: and it is not true that in co-operation capital is hired by labour; it may be hired by the business ability that lives in the heads that the working men have on their shoulders; but if they have not much business ability, they will not get much capital, either of their own or of any-one else's; and if they get it, they will not keep it long: and it all comes back to that.

Next, after the difficulty of making things is overcome, that of selling them begins; and often the latter is the greater of the two. To say nothing of advertising, private firms spend a great deal of their energy on getting hold of the right kind of travellers and agents for pushing their goods, and a great deal of money on paying them; and this is a thing that co-operative societies cannot do very well; and there is much of it to which, to their credit be it said, they do not take very kindly.

Lastly, a productive society often owes whatever success it has had almost entirely to a few men, perhaps to one man,

of exceptional ability, fervent and strong in the co-operative faith. And then it is constantly at the mercy of cruel Death. He snaps the threads of a few lives, or perhaps only of one, and the society dwindles and decays, or is converted into a greedy joint-stock company; and so cherished hopes are once again disappointed, and the proud boasts of confident co-operators are brought to naught.

Well, then, productive co-operation is a very difficult thing, but it is worth doing. When I was an undergraduate, I once took to my mathematical tutor a long face and an unfinished problem. I told him I had worked at it the whole of the preceding day, and yet not done it, though the day before I had done twenty that did not look a bit harder. He was a wise man—Dr. Parkinson was his name—and he looked at me cheerily and said, “Well, then, yesterday’s work probably did you much more good than that of the day before. There is not much good in doing things you can do; but there is great good in trying to do those that you can’t do, but that are worth doing.” And it seems to me that the difficulties of non-centralised co-operative production are just those at which it is best worth while to take a long pull, and a strong pull, and a pull all together. I believe that some of them are not so tough as they look, and can be broken through; and that those which are very tough have a corner at no great distance, which you can turn, and so get round them.

In this matter you have a very great advantage from the elasticity of independent productive societies. There must be one spirit in them all, they must all rest on a common principle; but they may have the largest variety of detail. Sometimes, for instance, it may be best not to have employes on the committee at all; but even then the employes may attend the general meetings of the society, and may be represented on the committee by others who are and have been employed in the same or in allied trades. My friend Mr. Jones intends, I believe, to call your attention to the co-operative element in the Oldham spinning mills; and I may well leave that subject in his most able hands. But I should like to point out that those mills owe a great deal to the facts that Oldham is the chief centre for manufacturing cotton spinning machinery, and that many of those interested in the

mills are or have been mechanics engaged in making that machinery. And there are many cases in which the advice of a workman engaged in an allied trade is of great use to a co-operative society, while the opportunity for giving it is a gain for him.

It is a subject on which I must speak with very great diffidence. But after hearing a good deal of what can be said on both sides, I incline to think that the real advantages of having employes on the committee are greater, and the disadvantages less, than they are likely to appear at first both to the shareholders and the manager. I think that in this matter the co-operative spirit has a high, though difficult duty, the brave performance of which would ultimately bring its own reward. One reason for thinking that the difficulties arising from having employes on the committee are not so great as they look, is that though they have had much to do with wrecking many enterprises, that has been because, in any new undertaking, people are apt to misunderstand one another at first. Partly it is that the wrong people are apt to be put on the committee at first; partly that there is no tradition or precedent to which to appeal in disputed cases, but every difference of opinion has to be fought out; partly that some of those who are most quick to start a new movement are least able to bear and forbear when the time of pressure comes. Experience, I believe, shows that difficulties of this kind, if once tided over, are likely to recur, if at all, in a somewhat milder form: they are rather like measles. Difficulties of this kind need not discourage us: they rather show that many of the failures of independent productive societies are due to causes which can be removed by co-operative aid and guidance. They are arguments against the complete isolation of such societies, but not in favour of their being consolidated under a rigid centralised government.

And in much the same way with regard to the other difficulties. No doubt many productive societies have failed through engaging in unsuitable businesses; but co-operative experience may guide them away from tasks in which it is necessary to run great risks, to act with great vigour and decision, to have a wide range of technical and commercial knowledge, to be well posted in the latest news and to get it



nearly at first hand, to be constantly devising new schemes and new methods of manufacture, and appealing to and creating new tastes. Co-operative production may occasionally come across a man who has the rare qualities required for such work. But unless his co-operative virtue is very strong, the large gains which he can make in the outside world will draw him away. And for the present, at all events, productive societies need to be guided towards those industries that do not require rare talents; towards industries in which punctuality, and order, and neatness, and careful economy in matters of detail, and a steady resolute tread along a well-beaten path, are the things chiefly wanted. There are plenty of men latent among the working classes, who have the capacity required for this work, and who would be content with a moderate income and a good position among those who know them.

Industries which satisfy these conditions seldom want a very large capital. Such as do, must of course be avoided; and no doubt many productive societies have failed partly through under-estimating the capital required for what they have undertaken. Here co-operative counsel on the one side and co-operative capital on the other will be of good service. Productive societies that are in other respects on the right lines can generally get what capital they want at a reasonable rate of interest: though I do not say that distributive societies can make a good business by undertaking to pay five per cent. on an unlimited number of new shares, and lending out the money at a moderate rate to a more or less risky business. But I would venture to ask in passing whether there is not a pressing need for prompt action in the matter of accepting new capital at five per cent.? Is it not an anachronism?

Here, then, we see again an argument against the isolation of productive societies. And we find still another argument in the difficulties that they have in marketing their goods; and another in the need for continuity of management. For marketing is just the business in which co-operation is most effective; and the crisis through which a society passes when its best members are removed by death or in other ways may often be tided over by a little co-operative aid from outside.

Does not all this point to the conclusion that in order to give co-operative production in this country a fair chance of doing its best, there is required some broad-based organisation for helping it? I say in this country, because the industrial qualities of this country are peculiar, and not like those of any other. Englishmen are not particularly quick-witted, or specially adapted for contriving sporadic productive associations, each fighting entirely for itself, each trying some new experiment, depending on its own resources, and heedless of what others have done or are doing.

And, on the other hand, Englishmen have no liking for ~~things~~ controlled and drilled by a central government. What suits their character best is to have a broad and solid association based on many smaller associations, not controlling and directing them, not interfering with their freedom without absolute necessity, but acting as a common centre for help and advice; serving as a channel by which any member that is in special need may receive the aid of others, and taking perhaps an active part in administering that aid and the wholesome advice by which it may perhaps have to be accompanied. It seems to me that the three great features of English social life, trades unions, provident societies, and co-operation, owe their success to adopting this plan. Broad-based, highly-organised freedom of action, is characteristically English: and the true future of English co-operation lies, I am convinced, in adhering to these lines.

If co-operation, which has made its great position by fostering freedom, should throw its strength into developing departments of the Wholesale governed by a central authority, is there any certainty that this new departure, so seemingly at variance with the traditions of the English people, would be supported by them permanently? I spoke just now of the great strength of a productive department of the Wholesale; but does not the permanence of the strength of the Wholesale itself depend upon its adhering to English traditions of freedom and local autonomy. Even though centralised departments may be the strongest and fittest to thrive on their environment for the present, are they the fittest to benefit it, are they even the surest to flourish

themselves in the long run? And would it not be, on the other hand, equally un-English to continue to allow the independent productive societies to fight their hard fight, to struggle, and too often to die an early death, for the want of a guiding and a helping hand, for the want of those advantages, those economies, and those powers which come from broad-based association and co-operation? Do not many of your discussions point in this direction? Your schemes for propaganda, and the cordial reception given to Mr. Gray's excellent papers on "Co-operative Production," seem all to do so. Your Co-operative Guild, your Co-operative Aid Association and your Labour Association are evidences that you recognise a want of this kind.

Is not, however, your Co-operative Union itself the right body for the work? But is it at present strong enough? Ought you not to develop it and to put more of your funds at its disposal? I speak here with the greatest hesitation. I do not mean to suggest that the funds for this purpose should be levied compulsorily on all societies, whether in favour of the movement or not; but I think that many societies would favour it. And it is just that part of the movement in which outsiders would be most willing to help, if they were sure that the funds contributed would be spent under the authority of the Union, and therefore wisely. I do not know whether anyone would raise an objection on the ground that the constitution of your Union permits joint-stock companies and other external associations to become members of it, though none have yet done so. In that case you might perhaps think it best to create a new body for the purpose; but it is to be hoped that this would not be necessary. Might you not give to your Union the means and the duty to help productive societies with guidance and with funds, leaving them the greatest liberty of detail, subject to the condition of their adhering closely to high co-operative principle, under which of course would be included securing a full share of the profits to the workers? Might not it further undertake to act as a common centre of information as to their special wants, and to warn them against pressing into a field that was already full; to take part in acquainting distributive societies with what they are doing; in acquainting them with the needs of distributive



societies ; in organising arrangements for depôts, exhibitions, commission agents, and travellers ; and, lastly, might it not act as a kind of board of arbitration and conciliation for troubles that may arise either within a society, or between it and others ?

It would, of course, nominate members on the committees of those associations which sought its pecuniary aid ; but probably many other societies would ask it to do this, just as many schools and local colleges are glad to have members on their councils nominated by the Universities, partly because they can give good advice, partly because they bring an impartial judgment to the decision of any internal difficulty that may arise, and, not least, because their presence gives prestige and attracts the confidence of the outside world. And might it not be instructed to choose these representatives from as wide a circle as possible, and so to give to many men the opportunity of showing what they are worth as administrators ; not, of course, putting untried men into responsible posts, but always finding for a man who had done one task well something more responsible to go on with ? Is this a Utopian dream ? Is not the tendency of your whole movement really in this direction ; and has not the time now come, not, indeed, for prompt action, but for steadfast deliberation, that may prepare the way for resolute action ? And the last question of all—can you forgive me, an ill-informed outsider, for my presumption in asking these bold and intrusive questions ?

I have come to the end of my time, and yet have touched the fringe of only a small part of the great problems which you have set yourselves to solve. The days of romantic chivalry are past. Knights-errant no longer rescue imperilled maidens from the castles of terrible giants, or slaughter dragons that vomit volcanoes of flames ; but there is as loud a call as ever for courage and a chivalric self-sacrifice for great and worthy ends. Those who are full of the co-operative faith have to endure the disappointment of seeing themselves out-voted by numbers who care for little that is co-operative except the dividend ; and still they have to keep their courage, and to keep their temper, and to fight the good fight time after time till they win. I am told by those who know, what

I should have otherwise expected, that there will be in this hall to-day many of the truest and bravest knights of that great order of modern chivalry—co-operation; and they must sometimes wish that the doors had not been held so widely open for those worshippers in their great temple whose devotions are exclusively paid at the shrine of dividend, who stay eagerly watching to see whether the golden image that dwells there will hold up its fingers at the end of the quarter to signify 2s. 3d. or 2s. 4d.; and care for very little else. But to them I would repeat the noble motto of the English Wholesale: “Labour and Wait.”

They and others who are not here to-day may wonder that I have not put more into the foreground the great issue as to whether the employés of a co-operative society should share in its profits. I have not done so, partly because my time was short, partly because there seems some danger of its overshadowing what I regard as a still more fundamental question. Profit-sharing is a great end, but it is also a means to an even greater end. It certainly tends to award to the worker a better and juster share of his work than he would otherwise get; but, taken by itself, it does not go very far towards that end. Unless it is used also as a means towards a better organisation of industry it is apt to become little more than a change of form, nearly as much being taken off wages at one end as is added on at the other under the name of profit-sharing. But even so it compares not unfavourably with the best result that can be reached without it, even if the spirit of the employers is liberal, and they try to pay not as low wages as they can, but as much as the business will bear; and if as their business extends they promote their old employés as rapidly as possible to higher posts at higher salaries. It is true that those employés who have been more than five years with one firm are, taking all England together, much better off than they would have been if the firms for which they had worked had barely kept their heads above water; and there is much more indirect profit-sharing, and solidarity of interest between employer and employed in the non-co-operative world than at first sight appears. And I must further confess that when any abstract or “metaphysical”

principle—the term is not mine—is applied to settle rigidly what share of the profits should go to labour and what to capital, and what to the consumer, I find myself unable to follow it; whether it is put forward in the interests of labour or of the consumer. Nevertheless, I regard the movement towards the direct participation by the employé in the profits of the business as one of the most important and hopeful events of modern times, and as one of the best and most valuable fruits of the co-operative spirit.

It is the most convincing outward sign and symbol, and the most efficient means, of a true desire to associate the worker in the business, to keep warm his interest in it; to induce him to take a pleasure in advancing its prosperity by all means, whether they fall within the technical limits of his ordinary work or not; to offer him, as far as may be, education, and opportunity and scope for a worthy ambition to act not merely as a hand, but as a thinking and thoughtful human being. Profit-sharing is a good means towards this great end; and he has not lived in vain who has helped to overcome the obstacles which impede its general adoption.

The term profit-sharing is, however, sometimes applied to the case in which labour, or rather “the business ability that lives in the heads that working men have on their shoulders,” endeavours to hire capital at a fixed rate of interest, and in favour of that I have nothing to say now, because I have been speaking for it all along. I must, however, confess to some partial agreement with the advocates of the present system of the Manchester Wholesale, when they argue that their employés in any productive department cannot be regarded as hiring capital on these terms. They argue that the Wholesale undertakes to market their goods for them, as well as to superintend their general management, and that an arbitrary element is introduced in the charge which has to be made for their services, and therefore that the profits to be divided among the employés, if that system were adopted, could not be determined by any abstract principle. I admit it; but I still wish that the Manchester Wholesale would follow the example of its Scottish sister; and accepting the fact that there is an arbitrary element, calculate it as best it can, and share the net profits with the employés. As, however, I have



already said, I should much prefer that the Union should perform for the independent co-operative societies many of the services which the Wholesales perform for their productive departments. Then the societies could approach as near as existing conditions will allow to the ideal of "labour employing capital."

This is, however, only one of many tasks that lie before the true knights of co-operation. There are others in which the path of duty, if not more easy, seems yet more clearly marked in its general outline, though even in them there is a fringe of debatable ground.

You have, for instance, still to fight the old fight against giving credit. The wily trader is developing a fresh line of attack, by new modifications of the old plan of payment by instalments. He claims to give his dividend at the beginning instead of the end; and I am told that there are a great many silly flies who walk into the pretty parlour of that shrewd spider.

Again, you have the old battle for honesty in dealing. You have been hampered a good deal by the reaction against indiscriminating attacks on adulteration. That term is often used so as to include open and undisguised changes in the character of goods to suit the wants and the tastes of consumers. But you seem to me to have a clear duty; it is to explain to consumers what things are cheap and what things only appear to be cheap; to give them for their money as high class goods as you can afford, and as much truthful information about them as you possess. Gradually they will care less and less to buy show instead of substance.

And you have—the most difficult task of all, because that in which you are most likely to be suspected of jealous motives—to keep the field clear of those who would use it for their own selfish purposes. Co-operators may be as generous as they please; but they must not be merciful either to wrong-doing or to incompetency. They should try to give to every man a better scope for his abilities, and therefore the opportunity for earning a better income than he would have got if his best faculties had not been turned to account; but they must not allow people to prey on the movement. If the manager of a store does his business so negligently or with so

little skill that he could not keep his customers together were it not for the prestige which his store derives from co-operation, he must take a lower place. This is your hardest and most bitter task: there is none more repugnant to the spirit of the true co-operator; but there is, I believe, none which it is more imperatively his duty to perform, none which is more vital to the continued prosperity of the movement.

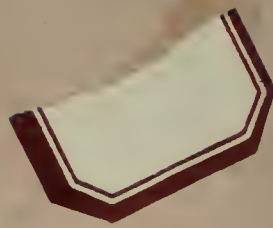
It is also a duty to pay to those who are doing their work with exceptional ability salaries high enough to prevent any excessive strain on their allegiance to co-operation arising when they receive tempting offers from outside. This is a pleasant, but not an easy task. It is said that successful business men owe much to their knowing when to pay very high salaries; and co-operators must keep their wits well about them in order to find out when to do it.

Thus, in every direction there is plenty of work for the heads as well as for the hearts of co-operators. They hold a most responsible position; it lies with them to control the future of that scheme for social reform which is the greatest because its business basis is the strongest; and of that business undertaking which is the greatest because its aims are the noblest and the most aspiring. Those co-operators who, caring little for themselves, labour hard and earnestly to turn to good account the knowledge that working people have of one another, their power of wise trust and sober confidence in one another, their sympathy and affection; those who work steadfastly towards the aim of giving education and opportunity and spur of a worthy ambition to that latent ability of the working classes which is the great waste product of the world; they will

“ Live  
 In pulses stirred to generosity,  
 In deeds of daring rectitude, in scorn  
 For miserable aims that end in self, . . . .  
 Enkindle generous ardour, feed pure love,  
 Be the sweet presence of a good diffused,  
 And in diffusion ever more intense.  
 So shall they join the choir invisible,  
 Whose music is the gladness of the world.”









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